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EXPLAINS CENTRAL CONTROL OF FLUID CAPITAL
AND PRICE STABILIZATION

NATIONAL BANK CONTROLS FLUID CAPITAL -- Shanghai Chieh-fang Jih-pao, 17 Apr 50

The idea of control of the nation's fluid capital by the national bank, that is, the People's Bank of China, is that the bank shall become the repository for the funds of all government enterprises as well as for much of the nongovernment capital. The bank may accomplish this by becoming the agency for most collections and disbursements of business intercourse such as collection of utility bills, sales of transportation tickets, issuance of travel insurance, and a multitude of other things in which it may serve the public. In other words, the national bank shall be the great national capital reservoir into which all income flows and from which all expenses are disbursed.

The reason for this system of capital control is to accumulate in the national treasury a great reserve of ready capital so that it will be unnecessary to increase the issue of currency to have funds to stabilize the currency and the prices of goods. With this great reserve of capital in hand, the government can promote production and thereby promote the general welfare of the people.

The control, especially of government enterprise capital, which this plan places in the hands of the national bank, and thus in the hands of the government itself, enables it to prevent wildcat investments, to control the handling of funds by government agencies and enterprises, and to prevent defalcation and waste by its power to withhold appropriations from any enterprise that is not operating according to the economic and financial principles laid down by the financial authorities. All enterprises seeking loans must fall into line with the government policies to secure them.

Control of capital by the national bank is the prerequisite for carrying out the accounts cross-settlement policy among all government agencies, making it unnecessary to use any cash funds except for petty cash transactions, thereby avoiding waste. It is necessary for the national bank to concentrate

- 1 -

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50X1-HUM

and control capital to make needed loan advances to both government and private enterprises. These loans are part of the general plan for increasing national production, and therefore an important part of the national fiscal policy.

NORTHEAST SLOWS CURRENCY PRINTING -- Hong Kong Ta Kung Pao, 7 May 50

Mukden, 6 May (Hsin-hua) -- Necessary capital for large-scale economic reconstruction in the Northeast has been made available thus far in 1950 without any additional issuance of currency by the Northeast Bank. This factor and the current stabilization of prices are due to the new currency control and bookkeeping systems adopted by the Northeast in the past year, which have in turn speeded cash clearances and reduced expenditures in cash.

An examination of the results of the new system from its adoption by state enterprises and government agencies until the end of 1949 reveals that it succeeded in cutting cash transfers in transactions between the various executive agencies by 83.3 percent. During the same period, bank deposits doubled and an increase was shown in the issuance of bonds. This kept prices for the 1949 period from rising over 80 percent, and greatly facilitated economic reconstruction.

In the first quarter of 1950, since cash and credit operations have been centralized under the Northeast Bank, payments in cash have been reduced even further. By the end of February 1950, treasury deposits had increased 3.5 times over the amount recorded in December 1949.

PRICES DROP IN CENTRAL AND SOUTH CHINA -- Hong Kong Wen-hui Pao, 1 May 50

Hankow, 30 April (Hsin-hua) -- Between 1 March and 14 April 1950, the prices of salt, cotton, cotton yarn, textiles, and rice dropped, 45.62, 21.43, 33.28, 33.22, and 26.29 percent, respectively, or an average of about 34.75 percent, in the Central and South China region. The average percentage drop in commodity prices in the major cities of this region during the same period was as follows: Canton 41.2, Wu-Han 38.19, Nan-ch'ang 36.95, Cheng-chou 29.82, and Ch'ang-sha 27.6.

STATE-OWNED ENTERPRISES PAY TAXES -- Canton Nan-fang Jih-pao, 25 Apr 50

Canton -- Taxes on the 61 state-owned enterprises in Canton for the first quarter of 1950 amount to 4,031,877,856 yuan, of which 3,527,640,856 yuan had been paid up to 19 April 1950. The five concerns which have not yet made payment are the Canton Foodstuffs Company, the Canton Branch of the Kwangtung Transportation Company, the Hua-nan Foreign Trade Company, the Hua-nan Transportation Company, and the Canton Department Store Company.

- E N D -

- 2 -

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